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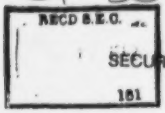

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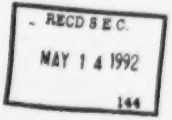
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q



(Mark One)

[X] **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period ended March 31, 1992 or**

[ ] **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.**

PROCESSED BY
12-12-2
MAY 15 1992

Commission File Number 0-16614

NeoRx Corporation
(Exact Name of Registrant as Specified in its Charter)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL
C3Q

WASHINGTON
(State or other jurisdiction of incorporation or organization)

91-1261311
(IRS Employer Identification No.)

410 West Harrison Street, Seattle, Washington 98119
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (206) 281-7001

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Applicable only to corporate issuers:

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

As of May 1, 1992 there were outstanding 28.3 million shares of the Company's Common Stock, $.02 par value.

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NEORX CORPORATION
(a development stage company)

BALANCE SHEETS
(in thousands)

	March 31, 1992 (unaudited)	September 30, 1991
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$11,537	$ 1,616
Short-term investments, at cost which approximates market	1,000	7,588
Note receivable, collected in December 1991	-	9,000
Interest receivable and other receivables	185	115
Inventories	590	658
Prepaids and other	185	344
Total current assets	13,497	19,321
FACILITIES AND EQUIPMENT, at cost:		
Equipment and furniture	3,542	4,651
Leasehold improvements	3,119	3,119
	6,661	7,770
Less: accumulated depreciation and amortization	(5,460)	(6,463)
Facilities and equipment, net	1,201	1,307
OTHER ASSETS	109	459
	$14,807	$21,087
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 959	$ 735
Accrued liabilities	1,007	1,379
Deferred revenue	1,043	289
Current portion of capital leases	246	423
Total current liabilities	3,255	2,826
NON-CURRENT LIABILITIES:		
Convertible subordinated debentures, 9¾%	1,220	8,213
Deferred revenue, less current portion	-	951
Capital leases, less current portion	42	134
Total non-current liabilities	1,262	9,298
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Convertible exchangeable preferred stock, Series 1, $.02 par value, 3,000,000 shares authorized, 510,000 and 580,000 shares issued and outstanding, respectively	10	12
Common stock, $.02 par value, 60,000,000 shares authorized, 28,309,000 and 26,092,000 shares issued and outstanding, respectively	566	$22
Additional paid-in capital	88,677	80,202
Deferred compensation	(148)	(362)
Accumulated deficit since inception	(78,815)	(71,411)
Total shareholders' equity	10,290	8,963
	$14,807	$21,087

See notes to financial statements.

NEORX CORPORATION
(a development stage company)

STATEMENTS OF OPERATIONS
(in thousands except per share amounts)
(unaudited)

	Three months ended March 31, 1992	Three months ended March 31, 1991	Six months ended March 31, 1992	Six months ended March 31, 1991	February 13, 1984 (Inception) to March 31, 1992
REVENUES:					
Revenues from collaborative agreements	$ 104	$ 87	$ 223	$ 246	$ 22,855
OPERATING EXPENSES:					
Research and development	1,665	1,845	3,148	4,064	64,001
Selling, general and administrative	1,322	1,024	2,504	2,211	34,082
Restructuring costs	-	-	-	640	2,050
Total operating expenses	2,987	2,869	5,652	6,915	100,133
Loss from operations	(2,883)	(2,782)	(5,429)	(6,669)	(77,278)
Other income (expense):					
Debt conversion expense	-	-	(1,228)	-	(1,228)
Interest income	204	287	330	687	8,350
Interest expense	(42)	(256)	(82)	(487)	(5,008)
Net loss	(2,721)	(2,751)	(6,409)	(6,469)	(75,164)
Dividends on preferred stock	343	405	694	878	3,152
Net loss applicable to common shares	$(3,064)	$(3,156)	$(7,103)	$ (7,347)	$(78,316)
Net loss per common share	$ (.11)	$ (.21)	$ (.30)	$ (.49)	$ (6.62)
Weighted average common shares outstanding	27,996	14,906	23,829	14,873	11,831

See notes to financial statements.

STATEMENTS OF CASH FLOWS
(in thousands)(unaudited)

	Three months ended March 31, 1992	Three months ended March 31, 1991	Six months ended March 31, 1992	Six months ended March 31, 1991	February 13, 1984 (Inception) to March 31, 1992
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net Loss	$(2,721)	$(2,751)	$(6,409)	$(6,469)	$(75,164)
Adjustments to reconcile net loss to net cash (used in) operating activities:					
Depreciation and amortization	195	424	429	853	7,906
(Increase) decrease in receivables	(73)	402	(70)	525	(185)
(Increase) decrease in inventories	26	56	68	(165)	(590)
(Increase) decrease in prepaids	(22)	261	159	294	(185)
Increase (decrease) in accounts payable and accrued liabilities	510	(336)	(148)	(393)	1,966
Increase (decrease) in deferred revenue	(105)	(100)	(197)	(200)	1,043
Amortization of deferred compensation	95	-	214	-	302
Debt conversion expense	-	-	1,228	-	1,228
Total adjustments	626	707	1,683	914	11,485
Net cash (used in) operating activities	(2,095)	(2,044)	(4,726)	(5,555)	(63,679)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from (purchase of) short-term investments	3,168	2,966	6,588	5,819	(1,000)
Property and equipment purchases	(312)	-	(323)	(218)	(9,110)
(Increase) decrease in other assets	8	50	9	128	(18)
Net cash provided by (used in) investing activities	2,864	3,016	6,274	5,729	(10,128)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from sale of common stock	44	-	9,253	-	61,576
Proceeds from sale of convertible debentures	-	-	-	-	26,606
Proceeds from (repayment of) capital lease obligations	(96)	(168)	(268)	(172)	289
Proceeds from stock options exercised	22	29	35	34	741
Issuance of stock purchase warrants	-	-	-	-	200
Preferred stock issuance costs	-	-	-	-	(792)
Preferred stock dividends	(296)	(405)	(647)	(878)	(2,971)
Repurchase of preferred stock	-	(187)	-	(305)	(305)
Net cash provided by (used in) financing activities	(326)	(731)	8,373	(1,321)	85,344
Net increase (decrease) in cash and cash equivalents	443	241	9,921	(1,147)	11,537
Cash and cash equivalents:					
Beginning of period	11,094	402	1,616	1,790	-
End of period	$11,537	$ 643	$11,537	$ 643	$ 11,537

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Basis of Presentation

The interim financial statements contained herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Company's Annual Report to Shareholders for the year ended September 30, 1991.

In the opinion of management, the interim financial statements reflect all adjustments, consisting only of normal recurring accruals (and nonrecurring charges of $1.2 million in fiscal 1992 for debt conversion and $.6 million in fiscal 1991 for restructuring) necessary to present fairly the Company's financial position as of March 31, 1992 and the results of operations and cash flows for the three month and six month periods ended March 31, 1992 and 1991 and for the period from inception to March 31, 1992.

The results of operations for the six month period ended March 31, 1992 is not necessarily indicative of the operating results for the full year.

2. Exchange of 9-3/4% Convertible Subordinated Debentures for Common Stock

During the quarter ended December 31, 1991, the Company completed private transactions with holders of $6,993,000 principal amount of 9-3/4% Convertible Subordinated Debentures ("debentures"), under which the holders exchanged their debentures for 1,748,000 shares of the Company's common stock. The exchange transactions were recorded in accordance with Statement of Financial Accounting Standards No. 84, "Induced Conversions of Convertible Debt", resulting in a non-cash charge of $1,228,000 in the quarter ending December 31, 1991.

NOTES TO FINANCIAL STATEMENTS - continued

3. Shareholders' Equity

Changes in shareholders' equity from September 30, 1991 to March 31, 1992 were as follows:

Balance, September 30, 1991	$ 8,963,000
Common stock issued	90,000
Preferred stock dividends	(694,000)
Net loss	(6,409,000)
Debenture exchange	8,079,000
Preferred stock conversion	47,000
Amortization of deferred compensation	214,000
Balance, March 31, 1992	$10,290,000

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources

Quarter and six months ended March 31, 1992 compared to quarter and six months ended March 31, 1991.

Revenues for the three months ended March 31, 1992 of $104,000 increased 20% from $87,000 in the comparable period of fiscal 1991. Revenues for the six months ended March 31, 1992 of $223,000 decreased 9% from $246,000 for the six months ended March 31, 1991. Revenues in both periods were earned under collaborative research agreements.

Total operating expenses for the quarter ended March 31, 1992 increased 4% to $2,987,000 from $2,869,000 recorded in the prior year's second quarter. Operating expenses of $5,652,000 for the six months ended March 31, 1992 decreased 18% from $6,915,000 in the comparable period in 1991, resulting from cost control measures implemented in January 1991 and because a nonrecurring restructuring charge of $640,000 was recorded in fiscal 1991. Excluding the restructuring charge, operating expenses for the six months ended March 31, 1992 decreased by 10% from the comparable prior year period.

During the three months ended December 31, 1991, the Company completed private transactions with holders of $6,993,000 principal amount of its 9-3/4% Convertible Subordinated Debentures ("debentures"), under which the holders exchanged their debentures for 1,748,000 shares of the Company's Common Stock. The exchange transactions were recorded in accordance with Statement of Financial Accounting Standards No. 84, "Induced Conversions of Convertible Debt" resulting in a non-cash charge of $1,228,000.

Interest income decreased 29% to $204,000 from $287,000 in the three months ended March 31, 1992 and 1991, respectively, and decreased 52% from $687,000 for the six months ended March 31, 1991 to $330,000 for the six months ended March 31, 1992, reflecting a decrease in market interest rates and a decrease in the average amount of funds invested, primarily due to the Company's use of cash to fund its operating losses.

Interest expense of $42,000 in the three months ended March 31, 1992 decreased 84% from $256,000 in the comparable period in fiscal 1991, and, for the six months ended March 31, 1992, decreased 83% to $82,000 from $487,000 in the comparable fiscal 1991 period, primarily resulting from the reduction in debentures outstanding to $1,220,000 from $8,213,000 at March 31, 1992 and 1991, respectively.

In January 1992, the Company agreed to purchase, for approximately $320,000, assets held under a capital lease. Payments for the assets will be made prior to the end of fiscal 1992.

Item 2. - continued

During 1991, the Company's supplier of its NR-LU-10 antibody, which is used in its lung cancer imaging products and in its ovarian and small cell lung cancer rhenium therapy products, sold its monoclonal antibody production facility to a pharmaceutical company which is unwilling to produce the antibody for sale to NeoRx. NeoRx is conducting negotiations with pharmaceutical companies regarding the licensing of worldwide manufacturing and marketing rights to its imaging products. At least one of these companies has existing antibody manufacturing capacity. NeoRx has learned in writing from the FDA that only a small patient study to qualify a new manufacturer will be required. Thus, the approval schedule depends upon the timing of arranging for an alternative supplier at a reasonable cost. If the Company or a potential licensee is unable to make alternate antibody supply arrangements, the Company may cease development of its imaging product line.

The Company expects that its available cash and interest income will be sufficient to finance its working capital and capital requirements for at least one year. The Company will require a substantial amount of additional funds to complete the development of most of its products and to fund additional operating losses that the Company expects to incur for the next several years.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In May 1991, the Company filed a lawsuit against Immunomedics, Inc. ("Immunomedics") in Federal District Court for the Western District of Washington alleging that Immunomedics' colon cancer imaging product and rhenium-based cancer therapy products infringe a NeoRx patent covering the Company's proprietary technology for directly labeling monoclonal antibodies with radionuclides, including technetium and rhenium. The suit also alleges Immunomedics breached a 1988 agreement with NeoRx which grants NeoRx a license and rights to acquire additional licenses under certain Immunomedics' patents which Immunomedics alleges cover NeoRx's lung cancer imaging products.

On April 4, 1992, the court in Seattle entered its final order with respect to jurisdictional issues. The case will be transferred to Federal Court in New Jersey.

NeoRx seeks monetary damages in an amount to be proven at trial, including treble damages for the patent infringement claim, certain declarations regarding the patent and Immunomedics' products in the United States and the award of attorney's fees, costs and expenses in the action.

Item 4. Submission of Matters to a Vote of Security Holders

a) An annual meeting of shareholders was held on February 20, 1992.

b) The following matters were submitted to a vote of holders of Common Stock at the annual meeting:

1. A Non-employee Director Stock Option Plan was approved by a vote of 15,294,349 shares in the affirmative; 708,415 shares were voted in the negative; 5,309,793 abstained;

2. Certain Director stock option grants were approved by a vote of 15,064,924 shares in the affirmative; 730,153 shares were voted in the negative; 5,324,343 abstained;

3. A 1991 Restricted Stock Plan was approved by a vote of 15,328,316 shares in the affirmative; 657,535 shares were voted in the negative; 5,320,706 abstained;

4. Certain restricted stock awards were approved by a vote of 15,021,783 shares in the affirmative; 654,028 shares were voted in the negative; 5,332,096 abstained.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K - None

NEORX CORPORATION
(a development stage company)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NeoRx Corporation
(Registrant)

Date: May 13, 1992

By: Robert M. Littauer

Robert M. Littauer
Authorized Officer and
Vice President,
Chief Financial Officer and
Treasurer